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USSR

General Secretary Brezhnev spoke in East Berlin yesterday in celebration of the 25th anniversary of the German Communist state.

Much of his 70-minute speech was dedicated to the event at hand and underscored the importance of both Germanies to Soviet policy. Brezhnev mentioned West German Chancellor Schmidt's scheduled visit to Moscow late this month and cited approvingly Schmidt's pledge to continue the Ostpolitik of Willy Brandt.

The Soviet leader appeared to be calling for diplomatic stability with regard to Berlin. He emphasized the importance of the Quadripartite Agreement on the city to relations between Moscow and Bonn and warned against West German attempts to obtain "special advantages" in West Berlin or to make the city an object of a "political game." The latter references appear to be in reaction to Bonn's recent establishment of a federal environmental office in West Berlin.

In private talks with East German party chief Honecker, Brezhnev is expected to give special attention to each government's relations with West Germany.

Brezhnev recited the gamut of Soviet arms control proposals without showing any signs of give in the USSR's positions. As anticipated, he stressed the negotiations on European security and cooperation at Geneva. As he did in a recent speech during the Moscow visit of Hungarian party chief Kadar, Brezhnev placed no time limit for the conclusion of the conference and did not call for a summit-level conclusion to the negotiations.

Regarding China, Brezhnev chastized its Maoist leaders but said that Moscow would continue to try to normalize relations with Peking.

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Brezhnev was the only Communist party chief at the East German celebration. He was accompanied by Foreign Minister Gromyko and Defense Minister Grechko, both members of the Politburo.

Presumably, the absence of other Communist party chiefs was intended to emphasize the special relationship between East Germany and the USSR. Five years ago, at a similar celebration, all the East European party chiefs but the unwanted Romanian were on hand.

Today marks the entry into force of a new East German constitution. It discards the old document's hope for eventual reunification of Germany and declares instead an "eternal" alliance with the USSR.

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**ETHIOPIA**

Tension remained high in Addis Ababa this weekend, as more troops moved into the Ethiopian capital. As of Saturday, according to the US embassy, efforts were still being made to reach a compromise among the various military factions and avoid an armed confrontation.

The identity of the opposing groups is still not clear and the allegiances of key military elements are still in doubt. Military movements have continued, but largely at night. Such moves have been hard to follow since the curfew remains in effect.

The military authorities in Asmara, the capital of the northern province of Eritrea, announced yesterday that the security situation had "worsened" and imposed a dawn-to-dusk curfew. Late last month, there were indications that the Eritrean Liberation Front, which controls most of the countryside, was planning to renew terrorist operation in Asmara. [redacted]

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PORUGAL-SPAIN

The Spanish government is alarmed over what it views as the significant boost the Portuguese left received as a result of former president Spinola's resignation last week.

An official of the Spanish Foreign Ministry has told the US embassy that Madrid does not believe the leftists have asserted full control in Lisbon, but it was clear to him that they were in the ascendancy. He noted that the increasingly unstable conditions in Portugal had, for the first time, led to a significant flow of refugees to Spain.

The official also indicated that the Portuguese situation would serve to strengthen the position of certain Spanish right-wing politicians who oppose increasing democratization in Spain.

Meanwhile, the celebration in Portugal of the 64th anniversary of the republic passed without incident. Both President Costa Gomes and Prime Minister Goncalves appeared in public and delivered short speeches. Goncalves praised Costa Gomes as "the most illustrious military man in Portugal" and the guarantor of social and domestic peace in the country. He also referred to last week's crackdown on the rightists, maintaining that the unity of the people and the armed forces had prevented "reactionaries" from endangering the progress made since the overthrow of prime minister Caetano last April. [redacted]

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ITALY

Italian President Leone today begins consultations with political leaders prior to naming a candidate to succeed Prime Minister Rumor. Rumor, the Christian Democratic leader who resigned last week, will remain in office as a caretaker until a new cabinet is formed.

Party leaders have already begun to take stock. In their initial public statements, all of the governing parties emphasized the gravity of the situation, but they were careful not to foreclose the possibility of forming a new center-left coalition.

There is little enthusiasm for holding a new parliamentary election as proposed by Social Democratic leader Tanassi in his anti-Socialist outburst last week that triggered the government's collapse. The dominant Christians Democrats argue that an early election would not help solve the country's economic problems. The Socialists agree, but they are sticking to their demands for changes in the economic stabilization program--particularly the easing of credit to minimize the increased unemployment that will develop as the austerity measures take hold.

A breach opened in the Social Democrats' ranks when the party's elder statesman, Giuseppe Saragat, dissented from Tanassi's call for an election. Saragat characterized the center-left alignment as the "ideal barrier" against the Communists.

The Communists, meanwhile, have rejected a new election as a move that would paralyze the country. Predictably, they have urged a "new departure" that would give them more influence in the governing process.

The fall of the Rumor government has not yet had a direct impact on efforts to deal with Italy's mounting economic problems, although it would appear to be only

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a matter of time. Prior to Rumor's resignation, organized labor had requested a meeting with top government and management officials to discuss union demands for higher wages and benefits. Labor's patience will probably begin to wear thin if efforts to organize a new government are protracted--especially if unemployment begins to rise sharply.

Prospects for labor peace were set back last Friday when Fiat, Italy's largest private employer, reduced the work week for one third of its employees from 40 to 24 hours. Fiat's move followed a breakdown in negotiations with labor over the company's desire to reduce production.

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## FOR THE RECORD

China: Premier Chou En-lai has returned to the hospital he left on September 30 to host a National Day banquet. Yesterday, he met with the visiting president of Gabon in the hospital. The Premier reportedly is recuperating from an operation last month that may not have been related to the heart problems which hospitalized him last summer.

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